

IX. SUMMARY

IRG SGH barometer

Economic situation in Poland in the 3rd quarter of 2020 improved, however, business activity is still on the low level. The IRG SGH barometer (BARIRG) increased by 19.2 pts to -16.7 pts. It is now 15 pts down from the respective year 2019 figure. Usually, the barometer declines in the 3rd quarter as compared to the 2nd one. The increase recorded this year is the result of unlocking the economy affected by the COVID-19 crisis. Still some sectors (tourism, transport, culture *inter alia*) are under restrictions. It shall take more time for the economy to revive, considering that the negative seasonal factors are going to take over the coming months. All the indicators which contribute to the barometer, except for the banking confidence indicator, rose quarterly, but are lower than one year earlier. It is hard to consider producers' and consumers' expectations as optimistic.

Agriculture

In the 3rd quarter of 2020 the agricultural confidence indicator (IRGAGR) increased by 13.8 pts, making up in spades for what it lost in the 2nd quarter (11.6 pts). The increase is due primarily to a rise in farmers' confidence, which was unprecedentedly high. Undoubtedly, both the slump in confidence in the 2nd quarter and the following upturn in the 3rd quarter are results of the COVID-19 pandemic. However, the recovery was affected not only by the easing of coronavirus restrictions, but also by improvement of crops conditions following the drought which came up in the springtime, and good harvest. The percentage of farmers who assessed their prospects positive is twice higher than recorded in the 2nd quarter, and amounts to 27.9%, which is close record high. To a lesser extent the growth of IRGAGR was effected by an increase in money income of agricultural holdings, which – *nota bene* – was much larger than expected last quarter. In the result the indicator broke through the long-term average (-10 pts), soaring to -4.6 pts, and returned to its long-standing growth trend.

Manufacturing industry

After a huge slump in manufacturing activity in the 2nd quarter, effected by the COVID-19 pandemic, the industry rebounded. Each month of the 3rd quarter brought about increases in the industrial confidence indicator (ICI) and the survey balances. We are dealing with so called 'the base effect', i.e. a relatively high growth of the indicators that resulted from record low levels reported in the previous quarter.

ICI increased by 10.6 pts in June (as compared to May), and another 7.4 pts in July. In August the indicator grew again, however, by 0.3 pts only. It is -11.6 pts now, which is 18.3 pts up from the May figure but 2.9 pts down from the figure recorded one year earlier. It seems that the declining tendency which has been lasting for more than 3 years is about to end, and the manufacturing industry is going to reach a trough. Manufacturers expect business situation to continue improving over the next months.

Construction

After the difficult second quarter, disruptions in financial liquidity and prolonging return to normalcy, the third quarter brought improvement to the construction industry. However, the improvement is weaker than expected three months earlier, and, according to the surveyed firms, the situation may deteriorate in the coming months. The results of the July survey are in many respects comparable with the ones recorded during recessions which followed the dot-com bubble (2001-2002), Great Recession (2008-2009) and European debt crisis (2013). The construction confidence indicator (CCI) increased by 18 pts to -18.3 pts, still one of the lowest figures ever recorded. Compared to the 3rd quarter of 2019,

however, it is almost 30 pts down. All the survey balances grew on the quarterly basis, but the annual changes are negative. Firms are pessimistic about their near future business prospects with many tendencies continuing to decline.

Trade

Business situation in the trade sector improved in the 3rd quarter of 2020. The IRG SGH trade confidence indicator (IRGTRD) quarterly increased by 24 pts to -4.8 pts, and is now 3.3 pts down from the respective year 2019 figure and 3.9 pts down from the third quarters' average over the last ten years (which amounts to -0.9 pts). The confidence indicator and the balances of: traders' general and financial situation, purchases of (domestically- and foreign-produced) goods and employment grew. The surveyed firms assessed their general economic situation as good. They expect their trading activity to diminish over the next two quarters.

Banking

In the 2nd quarter of 2020 the IRG SGH banking confidence indicator (IRGBAN) decreased by 26,1 pts to -47,4 pts. The decline was caused by a decrease in the balances of profits, result on banking activity and employment. According to the surveyed respondents, insufficient demand on financial services and the central bank's monetary policy have come to the fore as the main impediments to banking activity. Banks are expecting their situation to slightly improve in the coming quarter.

Households

Consumer confidence in the 3rd quarter of 2020 (the survey was conducted at the turn of July and August) rebounded after a sharp slump in the previous quarter. The IRG SGH consumer confidence indicator (IRGKGD) increased by 24.3 pts to -25.9 pts. However, it is still below the pre-crisis level. All components of the indicator grew, with the balance of future general economic situation in Poland soaring by 31.5 pts, and the balance of future unemployment declining by 32 pts. Financial situation of households improved (the balance rose by 24.3 pts). The balance of consumers' ability to save also increased, albeit to a lesser extent. Despite they grew, all the balances are still significantly lower than the respective year 2019 figures and the long-term averages. It needs, however, to be recognized that the survey has not yet taken into account the recent reintroduction of sanitary restrictions in poviats where the number of COVID-19 infections exceeded the critical threshold. Hence, it goes too far to say that the improvement in consumer confidence in the third quarter is firmly founded.